

FINANCIAL STATEMENTS

**RAILROAD RETIREMENT BOARD
CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2001 AND 2000**

	2001	RESTATED 2000
ASSETS		
Intragovernmental:		
Fund Balances with Treasury (Note 2)	\$33,066,909	\$34,276,486
Investments (Note 3)	20,196,713,982	19,456,321,426
Accounts Receivable (Note 4)	3,705,913,018	3,170,240,013
Total Intragovernmental (Note 5)	23,935,693,909	22,660,837,925
Accounts Receivable, Net (Note 6)	43,433,179	39,289,575
Inventory and related property, Net (Note 7)	86,206	110,598
General Property, Plant and Equipment, Net (Note 8)	1,720,901	2,706,479
Other (Note 9)	758	142,381
TOTAL ASSETS	<u>\$23,980,934,953</u>	<u>\$22,703,086,958</u>
LIABILITIES (Note 10)		
Intragovernmental (Note 11):		
Accounts Payable (Note 12)	\$431,144,438	\$425,741,368
Debt (Note 13)	2,973,339,932	2,835,104,920
Other	794,857	461,018
Total Intragovernmental	3,405,279,227	3,261,307,306
Accounts Payable	1,277,834	1,241,607
Benefits Due and Payable (Note 14)	721,496,743	708,365,327
Other (Note 15)	6,832,086	6,728,456
Total Liabilities	<u>4,134,885,890</u>	<u>3,977,642,696</u>
NET POSITION		
Unexpended Appropriations	18,139,901	19,623,773
Cumulative Results of Operations (Note 16)	19,827,909,162	18,705,820,489
Total Net Position	<u>19,846,049,063</u>	<u>18,725,444,262</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$23,980,934,953</u>	<u>\$22,703,086,958</u>

The accompanying notes are an integral part of these financial statements.

**RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENT OF NET COST
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001 AND 2000**

	<u>2001</u>	<u>RESTATED 2000</u>
PROGRAM COSTS		
INTRAGOVERNMENTAL -		
Interest Expense - Treasury Borrowing (Note 17)	\$221,081,907	\$219,114,919
Salaries and Expenses (Note 18)	19,762,072	21,221,801
Imputed Costs	<u>7,790,679</u>	<u>6,348,086</u>
	<u>248,634,658</u>	<u>246,684,806</u>
PUBLIC		
Benefit Payments - RRB (Note 18)	8,538,118,762	8,404,021,225
Salaries and Expenses (Note 18)	82,580,262	81,166,517
Losses on Disposition of Assets	<u>2,284</u>	<u>141,472</u>
	<u>8,620,701,308</u>	<u>8,485,329,214</u>
Total Costs	8,869,335,966	8,732,014,020
EARNED REVENUES		
Reimbursements	<u>29,470,768</u>	<u>28,693,914</u>
NET PROGRAM COSTS	8,839,865,198	8,703,320,106
Less Earned Revenues Not Attributed to Programs	<u>96,347</u>	<u>212,832</u>
NET COST OF OPERATIONS	<u><u>\$8,839,768,851</u></u>	<u><u>\$8,703,107,274</u></u>

The accompanying notes are an integral part of these financial statements.

**RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001 AND 2000**

	2001	RESTATED 2000
Net Cost of Operations	<u>(\$8,839,768,851)</u>	<u>(\$8,703,107,274)</u>
Financing Sources:		
Appropriations Used (Note 19)	146,151,379	154,623,430
Taxes and Other Non-Exchange Revenues (Note 20)	6,421,453,312	6,686,018,903
Imputed Financing	7,790,679	6,348,086
Transfers-in (Note 21)	3,616,200,000	2,917,400,000
Transfers-out (Note 22)	(428,500,000)	(432,296,758)
Other	198,762,154	22,782,648
Total Financing Sources	<u>9,961,857,524</u>	<u>9,354,876,309</u>
Net Results (Deficit) of Operations	1,122,088,673	651,769,035
Prior Period Adjustments	<u>0</u>	<u>0</u>
Net Change in Cumulative Results of Operations	1,122,088,673	651,769,035
Increase (Decrease) in Unexpended Appropriations	<u>(1,483,872)</u>	<u>(662,817)</u>
Change in Net Position	1,120,604,801	651,106,218
Net Position - Beginning of Period	<u>18,725,444,262</u>	<u>18,074,338,044</u>
Net Position - End of Period	<u><u>\$19,846,049,063</u></u>	<u><u>\$18,725,444,262</u></u>

The accompanying notes are an integral part of these financial statements.

**RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENT OF BUDGETARY RESOURCES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001 AND 2000**

	2001	RESTATED 2000
Budgetary Resources:		
Appropriations	\$10,943,609,594	\$9,937,658,246
Unobligated Balance - Beginning of Period	31,736,188	34,619,168
Net Transfers, Prior Year Balance	0	(96,758)
Spending Authority from Offsetting Collections:	29,567,115	28,921,024
Recoveries of Prior Year Obligations	415,638	215,329
Temporarily Not Available Pursuant to Public Law	(2,106,311,164)	(1,242,657,263)
Permanently Not Available	(5,482,493)	(3,554,386)
Total Budgetary Resources	<u>\$8,893,534,878</u>	<u>\$8,755,105,360</u>
Status of Budgetary Resources:		
Obligations Incurred	\$8,864,489,283	\$8,723,369,172
Unobligated Balances Available	4,195,415	2,085,169
Unobligated Balances Not Yet Available	24,850,180	29,651,019
Total, Status of Budgetary Resources	<u>\$8,893,534,878</u>	<u>\$8,755,105,360</u>
Outlays:		
Obligations Incurred	\$8,864,489,283	\$8,723,369,172
Less: Spending Authority from Offsetting Collections and Adjustments	(29,982,753)	(29,136,353)
Obligated Balance, Net - Beginning of Period	770,175,668	767,501,714
Less: Obligated Balance, Net - End of Period (Note)	(782,767,667)	(770,175,672)
Total Outlays	<u>\$8,821,914,531</u>	<u>\$8,691,558,861</u>
Note: Net amount of budgetary resources obligated for undelivered orders at the end of the period	<u>\$7,703,329</u>	<u>\$3,657,727</u>

The accompanying notes are an integral part of these financial statements.

**RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENT OF FINANCING
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001 AND 2000**

	<u>2001</u>	<u>RESTATED 2000</u>
Obligations and Nonbudgetary Resources		
Obligations Incurred	\$8,864,489,283	\$8,723,369,172
Less: Spending Authority for Offsetting Collections and Adjustments	(29,982,751)	(29,136,351)
Financing Imputed for Cost Subsidies	7,790,679	6,348,086
Less: Trust or Special Fund Receipts	<u>0</u>	<u>(10,724)</u>
Total Obligations as Adjusted, and Nonbudgetary Resources	<u>8,842,297,211</u>	<u>8,700,570,183</u>
Resources That Do Not Fund Net Cost of Operations		
Change in Amount of Goods, Services, and Benefits Ordered but Not Yet Received or Provided	(4,045,605)	638,123
Costs Capitalized on the Balance Sheet	<u>(634,582)</u>	<u>(1,150,995)</u>
Total Resources That Do Not Fund Net Cost of Operations	<u>(4,680,187)</u>	<u>(512,872)</u>
Costs That Do Not Require Resources		
Depreciation and Amortization	1,335,113	2,141,902
Losses (Gains) on Disposition of Assets	2,284	141,472
Other - Inventory Supplies Usages	<u>307,155</u>	<u>583,917</u>
Total Costs That Do Not Require Resources	<u>1,644,552</u>	<u>2,867,291</u>
Financing Sources Yet to be Provided		
Unfunded Annual Leave and Workmen's Compensation	<u>507,275</u>	<u>182,672</u>
Net Cost of Operations	<u><u>\$8,839,768,851</u></u>	<u><u>\$8,703,107,274</u></u>

The accompanying notes are an integral part of these financial statements.

**RAILROAD RETIREMENT BOARD
STATEMENT OF CUSTODIAL ACTIVITY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
Sources of Collections:		
Reimbursement from Social Security Administration (SSA)	\$1,152,648,859	\$1,127,585,944
Accrual Adjustments	<u>61,450</u>	<u>196,347</u>
Total Revenue	<u>1,152,710,309</u>	<u>1,127,782,291</u>
Disposition of Collections:		
Payment of SSA Benefits	1,152,735,055	1,127,754,524
Amounts Yet to be Transferred/Paid	<u>(24,746)</u>	<u>27,767</u>
Total Disposition of Revenue	<u>1,152,710,309</u>	<u>1,127,782,291</u>
Net Custodial Activity	<u>\$0</u>	<u>\$0</u>

Note: Under Section 7(b)(2) of the Railroad Retirement Act of 1974, the RRB is required to pay certain individuals described in this section, monthly social security benefits on behalf of SSA. For the most part, the RRB is reimbursed in advance for the payment of these benefits.

The accompanying notes are an integral part of these financial statements

**RAILROAD RETIREMENT BOARD
NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED SEPTEMBER 30, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Although the RRB is not subject to the Chief Financial Officers Act of 1990, the financial statements have been prepared to report the financial position and results of operations of the RRB, pursuant to the requirements of that Act. The financial statements were prepared in accordance with the principles and standards prescribed by GAO, OMB, FASAB, and Treasury, including OMB Bulletin 01-09 (dated September 25, 2001) and Bulletin 97-01 (Form and Content of Agency Financial Statements, dated October 16, 1996, as amended) which are generally accepted accounting principles.

The principal statements (prepared on a consolidated basis and eliminating all significant interfund balances and transactions), are comprised of the Balance Sheet and Statements of Net Cost, Changes in Net Position, Budgetary Resources, Financing, and Custodial Activity. The unfunded actuarial liability is not presented within the financial statements but rather discussed in the Required Supplemental Stewardship Information Section of the financial statements in accordance with SFFAS No. 17.

These statements are different from the financial reports, also prepared by the RRB pursuant to OMB directives, used to monitor and control the RRB's use of budgetary resources.

B. Reporting Entity

The railroad retirement and the unemployment and sickness insurance programs are financed through the following accounts:

Railroad Retirement Account (8011) funds retirement, survivor, and disability benefits in excess of social security equivalent benefits from payroll taxes on employers and employees and other income sources.

Social Security Equivalent Benefit Account (8010) funds the portion of railroad retirement benefits equivalent to a social security benefit from various income sources related to these benefits.

Railroad Retirement Supplemental Account (8012) pays supplemental annuities to career rail employees from payroll taxes.

Dual Benefits Payments Account (0111) funds the phase-out costs of certain vested dual benefits from general appropriations.

Federal Payments to the Railroad Retirement Accounts (0113) is used as a conduit for transferring certain income taxes on benefits and receiving credit for the interest portion of uncashed check transfers.

Limitation on Administration Account (8237) pays salaries and expenses to administer the railroad retirement program and the railroad unemployment-sickness insurance programs. This account is financed by the Railroad Retirement Account, the Social Security Equivalent Benefit Account, the Railroad Retirement Supplemental Account and the Railroad Unemployment Insurance Trust Fund.

Railroad Unemployment Insurance Trust Fund, Benefit Payments (8051.001) funds unemployment and sickness insurance benefits from contributions by railroad employers.

Railroad Unemployment Insurance Trust Fund, Administrative Expenses (8051.002) was established to pay salaries and expenses to administer the program. This fund is financed by contributions from railroad employers. Monies are transferred from this fund, based on cost accounting estimates and records, to the Limitation on Administration Account (8237) from which salaries and expenses are paid for both the railroad retirement program and the railroad unemployment and sickness insurance program.

Limitation on the Office of Inspector General (8018) was established to fund the administration of the Inspector General's Office.

Special Management Improvement Fund (8236) was established in FY 1992 as a result of an agreement with OMB to complete certain improvements in claims processing, debt collection, fraud control, tax accounting, trust fund integrity, and information systems over a 5-year period. The RRB successfully completed the program in fiscal year 1996 at a total cost of \$12,375,100. The Special Management Improvement Fund was closed in fiscal year 2001.

Savings Bonds Allotment (6050), and City and State Taxes (6275) were established as holding accounts for amounts withheld from employees' salaries but not yet paid to the appropriate institutions.

C. Budgets and Budgetary Accounting

Budget requests are prepared and submitted by the RRB in accordance with OMB Circular A-11 and other specific guidance issued by OMB. The RRB prepares and submits to OMB Apportionment and Reapportionment Requests (SF 132) in accordance with OMB Circular A-34 for all funds appropriated by the Congress or permanently appropriated. Although OMB may apportion funds by category, time period, or object class of expense, the RRB controls and allocates all apportioned funds by three-digit object class codes of expense. For budgetary accounting, all receipts are recorded on a cash basis of accounting and obligations are recorded against the object class codes when they are incurred, regardless of when the resources acquired are to be consumed. Obligations are amounts of orders placed, contracts awarded, services received, and similar transactions during a given period that will require payments during the same or a future period. Quarterly, the RRB prepares and submits Reports on Budget Execution (SF 133) to OMB, reporting all obligations incurred against the amounts apportioned.

D. Basis of Accounting

As required by law, the Dual Benefits Payments Account is on a cash basis of accounting. Payroll taxes and unemployment contributions are recorded on a modified cash basis in accordance with SFFAS No. 7. All other transactions are recorded on an accrual basis of accounting and a budgetary basis. Under the accrual method, revenues (except payroll taxes and unemployment contributions which are on a modified cash basis) are recognized when earned and expenses are recognized when a liability is incurred. For budgetary accounting, financial transactions are recorded when obligations are incurred, regardless of when the resources acquired are to be consumed.

The accompanying consolidated financial statements of the RRB include all funds maintained by the RRB, after elimination of all significant interfund balances and transactions.

2. FUND BALANCES WITH TREASURY

Fund balances with Treasury at September 30 consisted of:

	2001	2000
Social Security Equivalent Benefit Account	\$ 1,753,744	\$ 6,087,984
Railroad Retirement Account	6,026,385	6,159,310
Railroad Retirement Supplemental Account	272,117	692,644
Limitation on Administration	2,443,581	2,035,551
Dual Benefits Payments Account	17,750,724	19,134,100
Federal Payments to Railroad Retirement Accounts	389,177	489,673
Railroad Unemployment Insurance Trust Fund - Benefit Payments	3,917,175	(766,759)
Administrative Expenses	97,612	125,501
Limitation on the Office of Inspector General	332,941	401,516
Special Management Improvement Fund	0	12,372
City and State Taxes	48,953	24,984
Savings Bonds Allotment	34,500	35,460
Suspense Deposits	0	(155,850)
Total	<u>\$33,066,909</u>	<u>\$34,276,486</u>

For the RUI Trust Fund - Benefit Payments and Administrative Expenses, only a small portion of the cash is kept in non-interest bearing accounts. Cash not needed immediately for unemployment insurance benefits or operating expenses is held in the Federal Unemployment Insurance Trust Fund and invested by the Secretary of the Treasury. Beginning with FY 2000, cash held in the Federal Unemployment Insurance Fund is shown in our financial statements as accounts receivable - Intragovernmental. The fund earned an average rate of return of 6.48 percent in FY 2001 and 6.55 percent in FY 2000, for which the RRB earned \$4,009,312 and \$7,607,898, respectively, as its pro-rata shares. All other cash shown above is being held in non-interest bearing accounts and, except for the Dual Benefits Payments Account, is used to pay current obligations. The RRB does not maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the Treasury.

3. INVESTMENTS

Trust fund balances not immediately required for the payment of benefits may only be invested "in interest earning obligations of the United States or in obligations guaranteed as to both principal and interest by the United States" as provided for in Section 15(e) of the Railroad Retirement Act of 1974. Investment securities are stated at cost, adjusted for net unamortized premiums/(discounts) of (\$6,728,647,378) and (\$5,476,641,410) at September 30, 2001 and 2000, respectively. Amortization of market-based note and bond premiums/discounts are computed using the compound method. Total premiums/discounts are prorated to interim periods on the basis of a constant rate (as opposed to a constant dollar amount), so that a uniform rate of interest income on the notes/bonds is recognized in the accounts. All amortization of premiums and discounts is recognized as an adjustment to interest on investments.

	<u>At September 30, 2001</u>	
	<u>Book Value</u>	<u>Market Value</u>
4.50% par value specials maturing on October 1, 2001	\$ 9,728,172,000	\$ 9,728,172,000
Zero coupon bonds with maturity dates ranging from February 5, 2009, to November 15, 2015, and market yields ranging from 4.64% to 5.61%.	8,323,220,629	8,970,263,909
Market-based notes and bonds with maturity dates ranging from November 15, 2015, to February 15, 2016, and market yields ranging from 5.14% to 5.20%.	<u>2,085,131,993</u>	<u>2,310,413,750</u>
Subtotal	20,136,524,622	21,008,849,659
Accrued interest - Par value	29,960,625	29,960,625
- Market-based	<u>30,228,735</u>	<u>30,228,735</u>
Total	<u>\$20,196,713,982</u>	<u>\$21,069,039,019</u>

	<u>At September 30, 2000</u>	
	<u>Book Value</u>	<u>Market Value</u>
6.00% par value specials maturing on October 2, 2000	\$ 8,523,410,000	\$ 8,523,410,000
Zero coupon bonds with maturities ranging from February 15, 2009, to November 15, 2014, and market yields ranging from 6.10% to 6.22%.	7,030,436,518	6,905,611,234
Market-based notes and bonds with maturities ranging from February 15, 2007, to February 15, 2016, and market yields ranging from 6.10% to 6.28%.	<u>3,792,922,072</u>	<u>3,879,090,627</u>
Subtotal	19,346,768,590	19,308,111,861
Accrued interest - Par value	83,494,687	83,494,687
- Market-based	<u>26,058,149</u>	<u>26,058,149</u>
Total	<u>\$19,456,321,426</u>	<u>\$19,417,664,697</u>

4. ACCOUNTS RECEIVABLE - INTRAGOVERNMENTAL

Accounts receivable - Intragovernmental at September 30 consisted of:

	<u>2001</u>	<u>2000</u>
Financial Interchange – Principal	\$3,542,500,000	\$2,943,200,000
Financial Interchange – Interest	130,600,000	135,800,000
Department of Labor	32,405,221	91,043,666
Social Security Administration - OASI/DI Benefits	<u>407,797</u>	<u>196,347</u>
Total	<u>\$3,705,913,018</u>	<u>\$3,170,240,013</u>

The fiscal year 2001 financial interchange accounts receivable for principal and interest are based on economic assumptions in the mid-session review of the Federal 2002 budget. These receivables have been shown as a corresponding intragovernmental liability on the September 30, 2001 Consolidated Balance Sheet for the Social Security Administration released in December 2001. A re-estimate for a later budget review revised the fiscal year 2001 financial interchange accounts receivable for principal to \$3,577,600,000 and for interest to \$129,200,000.

5. INTRAGOVERNMENTAL ASSETS:

Intragovernmental assets at September 30 consisted of:

	<u>2001</u>	<u>2000</u>
Fund Balance with Treasury	\$ 33,066,909	\$ 34,276,486
Investments	20,196,713,982	19,456,321,426
Accounts Receivable	<u>3,705,913,018</u>	<u>3,170,240,013</u>
Total	<u>\$23,935,693,909</u>	<u>\$22,660,837,925</u>

6. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net at September 30 consisted of:

	<u>2001</u>	<u>2000</u>
Accounts receivable - Benefit overpayments	\$50,300,334	\$46,789,568
Accounts receivable - Past due RUIA contributions and taxes	378,378	423,455
Accounts receivable - Interest, penalty & administrative costs	<u>4,538,518</u>	<u>4,553,718</u>
Total	55,217,230	51,766,741
Less: Allowances for doubtful accounts	<u>11,784,051</u>	<u>12,477,166</u>
Net Total	<u>\$43,433,179</u>	<u>\$39,289,575</u>

The RRB's ending accounts receivable balance (prior to the application of the allowance for doubtful accounts) of \$55,217,230 includes \$40,410,213 (73.2%) in railroad retirement program receivables and \$14,807,017 (26.8%) in railroad unemployment insurance program receivables.

The total allowance for doubtful accounts is \$11,784,051. This includes \$10,252,070 (25.4%) for the railroad retirement program and \$1,531,981 (10.3%) for the unemployment insurance program receivables.

The allowance for doubtful accounts for the railroad retirement program was calculated as follows: (1) stratifying the accounts receivable into 12 categories, (2) analyzing each category using sampling and historical data, (3) determining the percentage of amounts due the RRB that would probably not be collected, (4) applying the determined percentages against accounts receivable for each category, and (5) adding the amounts derived for each category to obtain the total allowance for doubtful accounts. The allowance for doubtful accounts for the unemployment insurance program was calculated based on the ages of accounts receivable and historical information.

7. OPERATING MATERIALS AND SUPPLIES

Operating materials and supplies are valued on the weighted average basis. The recorded values are adjusted for the results of physical inventories taken periodically. Expenditures are recorded when inventories are consumed.

8. PROPERTY AND EQUIPMENT

These assets are stated at cost less accumulated depreciation/amortization. Acquisitions are capitalized if the cost is \$5,000 or more and the service life is 2 years or greater. Depreciation/amortization is computed on the straight-line method. These assets consisted of:

<u>Classes of Fixed Assets</u>	<u>Service Lives</u>	<u>At September 30, 2001</u>		
		<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Structures, facilities and leasehold improvements	15 years	\$ 2,718,770	\$ 2,248,379	\$ 470,391
ADP software	5 years	18,965,097	18,726,416	238,681
Equipment	5-10 years	<u>5,961,998</u>	<u>4,950,169</u>	<u>1,011,829</u>
		<u>\$27,645,865</u>	<u>\$25,924,964</u>	<u>\$ 1,720,901</u>

<u>Classes of Fixed Assets</u>	<u>Service Lives</u>	<u>At September 30, 2000</u>		
		<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Structures, facilities and leasehold improvements	15 years	\$ 2,602,013	\$ 2,023,367	\$ 578,646
ADP software	5 years	18,841,956	18,234,895	607,061
Equipment	5-10 years	<u>6,232,822</u>	<u>4,712,050</u>	<u>1,520,772</u>
		<u>\$27,676,791</u>	<u>\$24,970,312</u>	<u>\$ 2,706,479</u>

9. OTHER ASSETS

Other Governmental Assets at September 30 consisted of:

	<u>2001</u>	<u>2000</u>
Other - Advances to employees for health insurance and TSP contributions	<u>\$ 758</u>	<u>\$142,381</u>

10. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources at September 30 consisted of:

	<u>2001</u>	<u>2000</u>
Intragovernmental:		
Debt	\$2,973,339,932	\$2,835,104,920
Other	<u>0.00</u>	<u>134,050</u>
Total Intragovernmental	<u>2,973,339,932</u>	<u>2,835,238,970</u>
Other	<u>5,488,524</u>	<u>5,350,495</u>
Total Liabilities Not Covered by Budgetary Resources	<u>2,978,828,456</u>	<u>2,840,589,465</u>
Total Liabilities Covered by Budgetary Resources	<u>1,156,057,434</u>	<u>1,137,053,231</u>
Total	<u>\$4,134,885,890</u>	<u>\$3,977,642,696</u>

11. INTRAGOVERNMENTAL LIABILITIES

Intragovernmental liabilities at September 30 consisted of:

	<u>2001</u>	<u>RESTATED 2000</u>
Accounts Payable	\$ 431,144,438	\$ 425,741,368
Debt	2,973,339,932	2,835,104,920
Other	<u>794,857</u>	<u>461,018</u>
Total	<u>\$3,405,279,227</u>	<u>\$3,261,307,306</u>

12. ACCOUNTS PAYABLE - INTRAGOVERNMENTAL

Accounts payable - Intragovernmental at September 30 consisted of:

	<u>2001</u>	<u>2000</u>
Accrued Expenses	\$ 144,438	\$ 441,368
Accounts Payable - FHI Principal	414,100,000	407,400,000
Accounts Payable - FHI Interest	<u>16,900,000</u>	<u>17,900,000</u>
Total	<u>\$431,144,438</u>	<u>\$425,741,368</u>

The fiscal year 2001 financial interchange accounts payable – FHI principal and interest are based on economic assumptions in the mid-session review of the Federal 2002 budget. These estimates are also being used by CMS as receivables in their financial statements. A re-estimate for a later budget review decreased the fiscal year 2001 financial interchange account payable for FHI principal to \$405,600,000 and FHI interest to \$16,800,000.

13. DEBT

Intragovernmental debt results from borrowing from Treasury to fund benefit payments from the SSEB Account.

	2001	2000
Beginning Balance, Principal	\$2,746,000,000	\$2,719,800,000
New Borrowing	3,139,400,000	2,998,000,000
Repayments	<u>(3,001,300,000)</u>	<u>(2,971,800,000)</u>
Ending Balance, Principal	2,884,100,000	2,746,000,000
Accrued Interest	<u>89,239,932</u>	<u>89,104,920</u>
Total	<u>\$2,973,339,932</u>	<u>\$2,835,104,920</u>

14. BENEFITS DUE AND PAYABLE

Benefits due and payable are accrued for all benefits to which recipients are entitled for the month of September, which, by statute, are not paid until October. Also, liabilities are accrued on benefits for past periods that have not completed processing, such as benefit payments due but not paid. The amounts include uncashed checks of \$8,078,858 and \$7,155,672, at September 30, 2001 and 2000, respectively. Under Public Law 100-86, the amount of RRB benefits represented by checks which remain uncashed for 12 months after the check issue date are credited (including interest thereon) to the accounts from which the checks were drawn. The principal amount of uncashed checks must remain in a liability account until the RRB determines that entitlement no longer exists or another check is issued to the beneficiary.

15. OTHER GOVERNMENTAL LIABILITIES

Other governmental liabilities at September 30 consisted of:

	2001	RESTATED 2000
Accrued Unfunded Liabilities	\$5,423,548	\$5,260,773
Accrued Payroll	1,232,716	1,183,618
Accrued RRB Contributions – TSP	297,021	19,424
Withholdings Payable	(160,656)	236,261
Other	<u>39,457</u>	<u>28,380</u>
Total	<u>\$6,832,086</u>	<u>\$6,728,456</u>

16. CUMULATIVE RESULTS OF OPERATIONS

Under the Railroad Retirement Act of 1974, appropriations were authorized from general revenues of the Treasury for the phase-out costs of vested dual benefits. Between 1974 and 1981, the amounts appropriated were substantially less than the costs incurred and, therefore, the excess costs were financed by the Railroad Retirement (RR) Account. The 1983 amendments provided that the shortfall in appropriations prior to October 1981 be repaid to the RR Account in three installments. Installments of \$628.9 million, \$706.4 million, and \$793.2 million were paid in the form of loans on January 1, 1984, 1985, and 1986, respectively. The 1983 amendments further provided that the loans are repayable only to the extent that the Congress appropriates the money to the RRB for that purpose. Consequently, the liability for these loans belongs to the General Fund, not the RR Account. As of September 30, 2001, the Congress has not appropriated any money to repay these loans; and, we anticipate that an appropriation will not be forthcoming anytime in the near future. Because these loans are not a liability of the RR Account, the \$2,128.4 million was placed on the books as donated capital and is reflected in the cumulative results of operations.

Included in the cumulative results of operations for FY 2001 and FY 2000 were undelivered orders of \$7,703,329 and \$3,657,727, respectively.

17. INTEREST EXPENSE - TREASURY BORROWING

The interest expense - Treasury borrowing represents the interest expense on the advances from the financial interchange.

18. SALARIES AND EXPENSES AND BENEFIT PAYMENTS

The details of salaries and expenses and benefit payments by budget object code are shown in the supplementary schedules.

19. APPROPRIATIONS USED

Appropriations used for the fiscal year ended September 30 was comprised of amounts appropriated to the following funds:

	<u>2001</u>	<u>2000</u>
Dual Benefits Payments Account	\$146,033,556	\$154,440,735
Federal Payments to the Railroad Retirement Accounts	<u>117,823</u>	<u>182,695</u>
Total	<u>\$146,151,379</u>	<u>\$154,623,430</u>

The amounts shown for the Dual Benefits Payments Account are net of Federal income tax transfers of \$10,000,000 in FY 2001 and \$17,000,000 in FY 2000.

20. TAXES AND OTHER NON-EXCHANGE REVENUES

Taxes and other non-exchange revenues for the fiscal year ended September 30 consisted of:

	<u>2001</u>	<u>RESTATED 2000</u>
Tier I	\$2,039,913,079	\$2,070,739,817
Tier II	2,594,838,372	2,615,128,239
Supplemental Taxes	67,881,121	76,820,039
Federal Income Taxes	337,000,000	476,000,000
Railroad Unemployment Insurance Contributions	50,652,171	67,763,857
Interest Revenue and Other Income	1,339,888,875	1,388,020,869
Carriers' Refunds Principal	<u>(8,720,306)</u>	<u>(8,453,918)</u>
Total	<u>\$6,421,453,312</u>	<u>\$6,686,018,903</u>

21. TRANSFERS-IN

Accrued transfers-in for the fiscal year ended September 30 consisted of:

	<u>2001</u>	<u>2000</u>
Financial Interchange Transfer – Principal	<u>\$3,616,200,000</u>	<u>\$2,917,400,000</u>

Transfer of principal occurs subsequent to the fiscal year.

22. TRANSFERS-OUT

Accrued transfers-out for the fiscal year ended September 30 consisted of:

	<u>2001</u>	<u>2000</u>
FHI Financial Interchange Transfer – Principal	\$428,500,000	\$432,900,000
Returned to the Department of the Treasury	<u>0</u>	<u>96,758</u>
Total	<u>\$428,500,000</u>	<u>\$432,996,758</u>

Transfer of principal occurs subsequent to the fiscal year.

23. CONTINGENT LIABILITIES

The RRB is involved in the following actions:

CSX Transportation, et al, filed a claim for refund of RRTA or FICA taxes paid on lump-sum separation payments on the theory that such payments were supplemental unemployment benefits. It is reasonably possible that the RR Account and SSEB Account are contingently liable for an estimated amount of \$250 million.

Atchinson, Topeka and Santa Fe Railway, Southern Pacific Railway, St. Louis Southwestern Railway, and Grand Trunk Western Railway, filed a claim for refund of RRTA or FICA taxes paid on lump-sum separation payments on the theory that such payments were supplemental unemployment benefits. The cases are pending the outcome of the CSX case. It is reasonably possible that the RR Account and SSEB Account are contingently liable for an estimated amount of \$82 million.

A claim for damages based on alleged violations of the Privacy Act was filed against the RRB. It is remote that the RR Account is contingently liable for an estimated amount of \$3.5 million.

Several Class 1 railroads have filed claims for refund of taxes with the IRS. Based on prior experience, it is remote that the RR Account and SSEB Account are contingently liable for an estimated amount of \$185.9 million. Under the anti-disclosure provision of the IRS code, we are not permitted to disclose any details related to these claims.

Because none of the above cases has been categorized as probable, no provision has been made in the accompanying financial statements.

24. RESTATEMENTS

The Balance Sheet was restated for FY 2000 to conform to the format required under OMB Bulletin 01-09. The Statements of Net Cost and Changes in Net Position for FY 2000 were restated due to a change in the classification of gains or losses resulting from the sale of investments from an exchange transaction to a non-exchange transaction. Non-exchange transactions are included in the Statement of Changes in Net Position. The Statements of Budgetary Resources and Financing were restated to facilitate the reconciliation of "Obligations Incurred" and "Spending Authority from Offsetting Collections" between the two statements.